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MEMO TO: City Council

FROM: Lenda Crawford, Finance Director

DATE: August 16, 2005

SUBJECT: **STAFF REPORT: Financial Status Report for the 2nd Quarter, 2005**

This report summarizes the financial performance of the major City funds, including the General, Capital and Enterprise funds for the period **January 1 through June 30, 2005**. Detailed tables supporting the analysis are included as appendices to this report.

Staff will be present at the August 16th Council meeting to answer any questions on the report. If you have questions prior to that time, please contact either me at 425.556.2160 or Martin Chaw at 425.556.2165.

EXECUTIVE SUMMARY

General Fund: The City's economy continues to lag behind that of its neighbors. Sales taxes, which is the City's single largest revenue source, continues to decline despite sustained increases by neighboring communities. This is of particular concern as this revenue was budgeted to increase by 5% over the previous biennium. Sales taxes for the City of Redmond are 5% below the previous year compared to increases of 17% for the City of Issaquah, 13% for the City of Bellevue and 11% for the City of Kirkland for the first four months of the year (please note that at the time of this writing, comparative data for June was not available and it is not scheduled to be released until September). Increases in surrounding cities are attributable to a rebound in construction and higher retail sales while Redmond's construction activity as well as sales from manufacturing and telecommunications are down 17%, 24% and 15%, respectively. Partially offsetting these declines are City retail sales, which grew 3% over the previous year and business services, which were up 7%.

**Table 1: Sales Tax Collections for Selected Jurisdictions
January through April, 2003-2005**

Jurisdiction	Jan - Apr 2003	Jan - Apr 2004	Jan - Apr 2005	% change 2005 vs 2004
Issaquah	2,549,179	2,554,632	2,979,742	17%
Bellevue	11,221,850	11,318,988	12,827,879	13%
Kirkland	3,570,561	3,975,803	4,426,215	11%
Seattle	34,551,313	36,082,743	39,086,103	8%
Bothell	2,377,984	2,592,160	2,760,685	7%
Tukwila	4,832,884	4,844,353	5,086,326	5%
Uninc. King County	20,678,376	22,184,361	23,255,774	5%
Renton	4,737,887	5,268,143	5,166,061	-2%
Redmond	4,646,021	5,194,311	4,915,335	-5%

Source: Wa. State Department of Revenue; January - April collections only.

Data for May and June will not be available until September.

In addition to weak sales tax collections, telephone utility tax collections are also down. These taxes have declined 6.5% despite an increase in the tax rate earlier this year as consumers shift away from more expensive traditional land lines and long distance services to cheaper cellular and/or internet based telephone services.

General Fund expenses are 5.3% higher than last year's levels but remain within budget. The City continues to grapple with overtime expenditures within the Fire and Police Departments. This particular cost center is expected to increase as the City enters the summer season where community festivals and staff vacations will place further demand upon strained overtime budgets.

Enterprise Funds: The City's Water/Wastewater Utility financial gap widened from the end of the first quarter as water consumption declined 7%, primarily among irrigation customers. Water usage by irrigation customers decreased 56% year-over-year, reflecting a wetter than normal spring. Earlier concerns of a potential drought coupled with the wetter than normal spring have adversely impacted the City's water sales and the financial position of this Utility. Given the magnitude of the loss and the fact that July consumption is down an additional 3%, resulting in total consumption being down 10% year-to-date, summer water sales are not expected to be large enough to offset the losses experienced during the first half of the year.

Similarly, the UPD Utility ended the quarter with its financial position worsening due to a lack of development revenues and also a significant (91%) decline in irrigation revenues. As with the in-city Utility, the UPD Utility is also dependent upon summer water sales to recoup losses that normally occur during the first half of the year. However, as with the in-city Utility, summer water sales are not expected to be enough to recoup the losses to date.

The Stormwater Management Utility ended the quarter with revenues sufficient to meet expenses. Please note that revenues allow the Utility to be only partially compliant with stormwater environmental and regulatory capital needs. Rates will have to be increased further in order for the Utility to be fully compliant. To that end, Council committed to take up this issue in 2005. Staff provided the Public Works/ Planning Committee an update on Stormwater Management issues on July 20th. A session with the full Council is slated for later this year.

Capital Improvement Program: The City continues to execute its CIP program as planned. Through June, 15% of the CIP budget was expended compared to 11% for the same period last year. The largest expenditures occurred in Transportation and Parks.

GENERAL FUND

Although the gap between ongoing revenues and expenditures has narrowed from the first quarter as a result of first half property tax revenue receipts, the General fund operating margin is still negative. Ongoing revenues are not sufficient to cover ongoing expenses despite increases in the City's utility tax rate, business license fee and property tax at the beginning of the year. The City is using its cash and economic contingency to underwrite ongoing services and programs, a practice which threaten the fiscal well being of the City in the long term. Gains in electric, property tax and natural gas have been offset by continued weakness in the City's sales and telephone utility tax collections.

Table 2 below compares the fund's operating position at the conclusion of the first and second quarter of 2005.

Table 2: General Fund Financial Position

	As of End of 1Q 2005 (March 31, 2005)	As of End of 2Q 2005 (June 30, 2005)
Ongoing Revenues (excluding beginning cash and one time revenues)	\$9,660,897	24,341,650
Ongoing Expenditures	<u>\$12,329,165</u>	<u>\$25,703,178</u>
Operating Margin	(\$2,668,268)	(\$1,361,528)
Add: Beginning Cash and one time Economic Contingency	<u>\$5,030,954</u>	<u>\$5,030,954</u>
Net Fiscal Position (including beginning cash and one time revenues)	\$2,362,686	\$3,669,426

General Fund expenditures are within budgeted levels as of the end of the second quarter. However, overtime expenditures for the Fire and Police Departments continue to exceed budgeted levels and are placing pressure on department resources. Overtime expenditures will continue to be an issue as the City enters the summer season where community activities and staff vacations will place increased pressure on already stressed overtime budgets.

Revenues

For the first half of the year, revenue collections were 7% or \$1.7 million higher than the same period last year and on target when compared to budget. Increases were noted in property taxes, business licenses, electrical and gas utility taxes, and development review revenues. Partially offsetting these gains were declines in sales tax, telephone utility tax and interest earnings.

Below are highlights of the major variances:

Business License: Revenues from the City's business tax is running 4% above budget and totaled \$1.8 million as compared to \$760,000 for the same period in 2004. This growth is due to a combination of a higher fee in effect since January 1 and higher employment numbers than the amount assumed in the budget. As of the end of June, a total of 63,941 employees were registered in the City versus a budget of 61,244 and 60,966 for the same period in 2004.

Property Taxes: Property tax revenues is exceeding the budget by 2%. Final new construction values for 2005 came in higher than anticipated.

Utility Taxes: Utility taxes totaled \$4.4 million or 23% of budgeted levels and compares to \$4.1 million for the same period last year. Electric and natural gas collections are up due to increases in the City's utility tax rate as well as commodity rates assessed by Puget Sound Energy (PSE). In March 2005, the Washington Utilities and Transportation Commission (WUTC) granted PSE a general rate increase of 4.1% for electric and 3.5% for natural gas customers. Partially offsetting gains in these areas are telephone utility taxes, which are 6.5% below last year's collections despite an increase in the City's tax rate. Telephone utility taxes continued to be plagued by a market change in consumer usage patterns as customers seek out cheaper telephone alternatives.

Sales Taxes: Sales tax, the City's single largest revenue source, continues to struggle. As shown in the table below sales tax revenue, which includes a \$1.4 million accrual for the month of June pending final sales tax from the Department of Revenue, is 2.9% below the same period last year and continue to remain below 2004 as well as 1999 levels.

Table 3. Historical Sales Tax Collections
January – June

Year	Collections
1999	\$8,325,183
2000	\$8,626,607
2001	\$9,144,772
2002	\$7,120,264
2003	\$7,222,786
2004	\$8,015,690
2005	\$7,785,335

Source: Wa. State Department of Revenue;
Includes June accrual of \$1.4 million

The City is continuing to experience weakness in the manufacturing, telecommunications and construction sector. These sectors are down 24%, 15% and 17% respectively. Retail and business services, which are the only bright spots in the City's sales tax revenue, are up 3% and 7% compared to last year.

Development Revenues: Development revenues have begun to show some improvement over previous low levels. These revenues totaled \$2.0 million or 29% of budget and was 13% above the same period in 2004 primarily due to residential building permits which were up 70% over 2004 levels. Excluding residential, this revenue category was 7.6% below last year due to continued weakness in commercial construction, inspection and plan review fees, and mechanical permits.

Interest Earnings:

Interest earnings are distributed based upon the relative cash balances within each of the City's funds. Although interest rates have begun to rise, distributions to the General Fund have declined from \$166,000 in 2004 to \$138,000 in 2005, reflecting the decline in General Fund cash balance relative to all other City funds.

Expenditures

Overall, General Fund expenditures are running slightly below budget, with department budgets 23% spent through the first half of the year. Normally departments would be expected to be at 25% for this time of the year. It is important to note that although expenses are within budget that costs are trending 5% higher than the same period last year (\$25.7 million versus \$24.4 million in 2004). Wage and salary, overtime and health benefits increases continue to be the major cost

drivers.

An analysis of expenditure activity show that all departments are within budget except for Fire. Overtime continue to pose a challenge for both the Fire and Police Departments and are driven by vacation, sick leave usage, disabilities, and community and corporate sponsored events and several intensive criminal investigations.

**Table 4. General Fund Expenditures by Department
January – June 2005**

DEPARTMENTAL EXPENDITURES	2005-06 Budget	Jan-June 2005	% Spent
Fire	22,590,286	6,011,921	26.6%
Police	22,927,741	5,492,977	24.0%
Non-Departmental	15,238,801	2,682,914	17.6%
Public Works	14,945,128	3,520,677	23.6%
Finance and IS	11,003,318	2,626,770	23.9%
Planning	10,545,344	2,280,129	21.6%
Parks and Recreation	8,523,286	1,991,907	23.4%
Human Resources	1,813,625	426,132	23.5%
Legal	1,387,236	343,172	24.7%
Executive	1,078,984	260,274	24.1%
Legislative	324,632	66,305	20.4%
TOTAL EXPENDITURES	110,378,381	25,703,178	23.3%

Another notable variance is in Non-Departmental where expenses are only at 18% of budget. Expenditures are lower due to the State legislative approving a phase in of higher PERS and LEOFF rates rather than having the fully funded rates go in effect in July 2005. These lower rates result in a saving of \$435,000 to the General Fund and the savings are being retained in the salary and benefit contingency within Non-Departmental. Please keep in mind that the State action is a temporary reprieve and the City will need to pay the higher costs starting as early as the 2007/2008 biennium.

Departmental expenditures for the remaining areas of the General Fund are on target and within expectations at this time.

ENTERPRISE FUNDS

While operating revenues for the Stormwater Management Utility continued to cover operating expenses, the operating position of the Water/Wastewater and UPD Utilities deteriorated as water consumption and development fees in the UPD declined. Although summer water sales are expected to boost revenues for both the in-city and UPD utilities, the increased revenue is not expected to be sufficient to offset the declines seen year-to-date due to a wetter than expected spring/early summer. If conditions do not stabilize soon, further rate increases may be necessary to ensure sufficient revenues are available to cover costs. Currently the water/sewer utility is using its cash balances to underwrite operations and the UPD's cash flow is at breakeven levels. Staff will continue to monitor this situation closely.

Water/Wastewater Utility

The City experienced a 7% decline in water consumption over the same period last year due to a wetter than normal spring/early summer. As a result, the Utility's operating position continued to decline. The loss of \$507,000 at the end of the first quarter widened to \$819,000 by the end of June. While a negative operating margin is typical for this period of the year due to the seasonality of water sales, the fact that the gap is so large is of concern. Although summer water constitute about 60% of annual water sales, this increase is not expected to be sufficient to close the fiscal gap by the end of the year.

Excluding Metro revenues, Utility revenues were unchanged over the previous year at \$5.3 million despite a 2% increase in rates that took effect at the beginning of the year. Water consumption declined in every major customer class with irrigation down nearly 60%. While there were initial concerns of a drought and the adverse impact it would have on the Utility, these concerns were replaced by a wetter than normal spring, which also compromised the Utility's operating position.

**Table 5: In City Water Utility Consumption
by Customer Classification
January – June 2005 vs 2004**

	Jan - Jun 2004	Jan - Jun 2005	change	% Chg (05 vs 04)
Irrigation	11,608,700	5,065,400	(6,543,300)	-56.4%
Multi-family	32,029,000	31,231,300	(797,700)	-2.5%
Commercial	38,304,300	38,861,610	557,310	1.5%
Residential	39,268,300	37,820,100	(1,448,200)	-3.7%
Total	121,210,300	112,978,410	(8,231,890)	-6.8%

Source: Utility Billing records; Water Consumption measured in cubic feet

Despite weakness in revenues, expenditures for the Utility were 9% greater than last year. Metro wastewater treatment expenses were 11% higher than last year as a result of the increase in Metro rates. Cascade Water Alliance regional capital facility charges (\$433,000) which were originally paid for out of the Water/Wastewater CIP program are now being recorded in the operating fund. And, general operating expenditures were up due to higher salary and benefit costs and continued implementation and maintenance of several programs including wellhead protection and the vulnerability assessment initiated over the last few years.

Expenditures for the **Water/Wastewater CIP** totaled \$1.5 million or 11% of budget and compares to \$2.4 million for the same period last year. Significant activities include completed replacement of service lines for the Sammamish Forest Manor neighborhood, completion of 2004 miscellaneous water system improvement projects, installation of a sand strainer for well #4,

construction of phase 2 of the SE Redmond Transmission Main, and continued design for the reconstruction of the City's remaining wells. Reconstruction of Well #5 is scheduled to begin in the fall of 2005.

Stormwater Management Utility

The Stormwater Management Utility continued to perform within expectations. Income from operations continued to remain positive, although it decreased by \$100,000 to \$981,000 from \$1.1 million. Most of this money is being transferred to the Utility CIP to address stormwater infrastructure needs.

Revenues were basically unchanged from the previous year at \$3.6 million as the overall stormwater rate remained the same from 2004 to 2005. Expenditures were lower and totaled \$3.4 million compared to \$3.6 million. The decline is due to less money being transferred to the CIP in 2005-06 vs. 2003-04. This is consistent with the approved 2005 rates which provides for only partial compliance with stormwater environmental regulations.

Expenditures for the **Stormwater Management CIP** program totaled \$712,000 or 6% of budget and compares to \$1.5 million for the same period last year. Significant projects include: completion of the 185th Extension storm drainage improvements; construction for the NE 87th Street culvert replacement; beginning the design for stream daylighting of Willows Creek; NE 116th Street culvert replacement; and construction of Upper Idylwood Creek rehabilitation which is scheduled to begin summer 2005.

Urban Planned Utility

The financial position of this utility continued to weaken as the loss from operations grew from \$365,000 at the end of the first quarter to \$441,000 by June compared to a \$61,000 loss for the first half of 2004. The loss year-to-date is seven times greater than 2004 and is due to a decrease in depreciation surcharge revenue, engineering fees and irrigation water sales while expenses have increased significantly. Overall operating revenues were up only \$100,000.

**Table 6: UPD Water Utility Consumption
 by Customer Classification
 January – June 2005 vs 2004**

	Jan - Jun 2004	Jan - Jun 2005	change	% Chg (05 vs 04)
Irrigation	915,600	78,300	(837,300)	-91.4%
Multi-family	780,400	762,500	(17,900)	-2.3%
Commercial	349,600	417,400	67,800	19.4%
Residential	3,509,100	4,685,409	1,176,309	33.5%
Total	5,554,700	5,943,609	388,909	7.0%

On the other hand expenses have increased significantly from \$800,000 in 2004 to \$1.3 million in 2005 to service a rapidly grown community. Expenditure increases occurred in all areas including general operations, Metro, and water purchases. The Utility also posted \$275,000 in expenses related to regional capital facility charges, which were previously recorded in the Utility's CIP.

While it is typical for the Utility to incur a loss at this time of the year, there is cause for concern as the loss is significantly greater than last year. Although water sales and development activity

are expected to improve during the summer, the higher level activity is not expected to be enough to overcome the deficits experienced during the first half of the year. Corrective action in the form of higher rates maybe required to ensure adequate resources are available to meet operating needs.

No expenditure activity occurred in the **UPD CIP**. The Utility's sole project is \$150,000 for water system security improvements. Design of these improvements is continuing and is scheduled to begin in late 2005 or early 2006.

CAPITAL INVESTMENT PROGRAM

Significant progress continues to be made on implementing the City's general CIP program with completion of the Union Hill Widening and Redmond Way Access Control projects, acquisition of land for the Bear Creek Parkway extension and continued construction of Bear/Evans Creek phase 1 trail. For the first half of the year, the City has spent 15% of its capital budget with the largest expenditures in Transportation and Parks. Revenues are coming in strong with 31% of the budget collected compared to 19% in 2004. Significant revenue contributions include real estate excise taxes, business license surcharge revenue, and private contributions. For more details regarding CIP revenues and expenses, please refer to the details below.

CIP Revenues

Real Estate Excise Tax (REET): REET revenues at \$1.5 million are \$500,000 or 54% higher this year versus last year as sales of single family homes remain at record levels.

Business License Surcharge: Revenue from the surcharge is up 8% year-over-year due to an increase in the number of taxable employees working within Redmond city limits. At the end of the quarter, a total of 63,941 employees were registered in the City versus a budget of 61,244 and 60,966 for the same period in 2004.

Impact Fees: Impact fee collections through the second quarter totaled \$905,000 and were comparable to collections in 2004 of 988,000. Impact fees can vary significantly as these revenues are deposited into the CIP upon completion of private development projects.

Investment Interest: Although interest rates continue to rise, the General CIP has experienced a slight decline in earnings due to lower cash balances as projects are executed. As a result, interest earnings for the first half of the year totaled \$522,000 as compared to \$602,000 last year.

CIP Expenditures

Expenses increased significantly during the second quarter from \$2.5 million at the end of the first quarter to \$9.2 million, reflecting increased construction activity, most notably for phase 1 Union Hill widening, land acquisition for the Bear Creek Parkway extension, and construction of phase 1 of the Bear Evans Creek trail. Transportation and Parks continued to represent the largest areas of CIP expenditures.

The **Transportation** functional area continues to execute its CIP as planned and spent \$6.3 million or 23% of its budget for the first half of the year, which is close to last year's expense level. Completed projects to date include phase 1 Union Hill Widening, Redmond Way access control, and land acquisition for the Bear Creek Parkway extension. Other active projects include construction of NE 116th street widening east of 162nd; NE 83rd improvements between 160th and 161st being constructed in summer 2005; reconstruction of the York Bridge at NE 116th street; design work for the Redmond Way/NE 76th intersection; and abatement of the existing structures on the Leary Way Shop Site.

The **Parks CIP** is also in-line with expectations. Current projects include Bear Evans Creek trail phase 1, construction of which is pending delivery of steel to complete a portion of the pathway. Other projects include installation of playground equipment at Idylwood Park, construction at SE Redmond neighborhood park, and the first loan payments for the Grasslawn and Perrigo Park loans, all of which are on schedule.

While **Fire CIP** is progressing as planned, there are repair issues looming on the horizon for Stations 14, 15 and 16 which will require revisiting this functional area. Engineering evaluation is presently underway to develop a more refined estimated cost of roof and siding repair needs for the three stations. There is a preliminary estimate of \$2.8 million based on a cursory review of the building. However this figure may go higher once better information becomes available. The Fire Department plans to brief the Council on this matter later in the year.

Expenditures in the **Police CIP** totaled \$140,000 and are comparable to the levels spent in the previous year of \$154,000. Expenditures to date include installing mobile data terminals and cameras in police cruisers and scheduled transfers to the Parks CIP. Design is continuing for the Public Safety Building police evidence area.

General Government CIP expenditures totaled \$187,000 and consist of budgeted transfers to the Transportation CIP as well as project management related to the construction of the new City Hall.

INVESTMENTS

The City's investment portfolio continued to meet the primary objectives of the investment policy: safety of principal, liquidity of funds, and attaining a market rate of return given the risk constraints and diversification guidelines. The investment portfolio increased slightly from \$105.9 million at the start of the quarter to \$107.5 million at June 30th, a 1.5% increase.

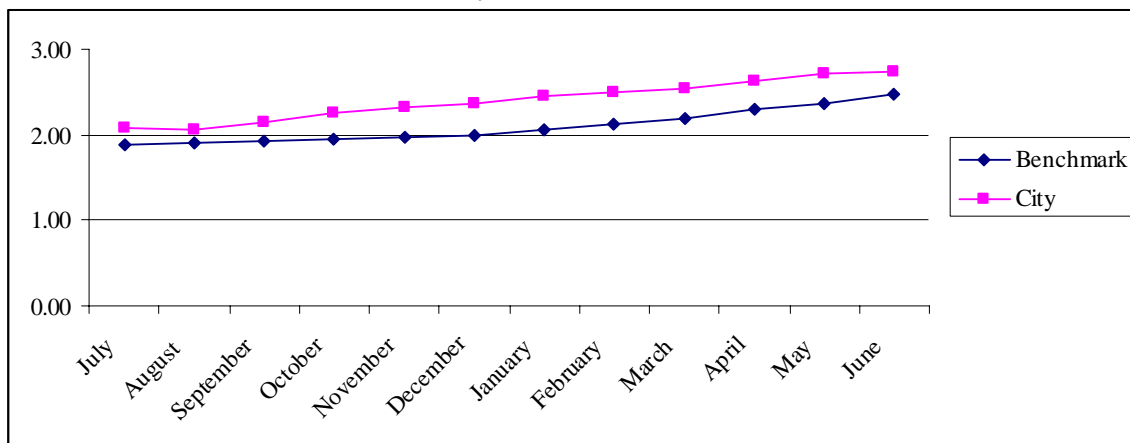
The table below provides a snapshot of the City's portfolio and performance at June 30, 2005.

**Table 7: Overview of City investment Portfolio
 As of June 30, 2005**

Investment Type	Book Value	Percentage of Portfolio	Days to Maturity	Yield To Maturity
State Investment Pool	\$8,383,750	7.8%	1	3.08%
Certificates of Deposit	29,910,671	27.8%	64	2.80%
Federal Agency Issues	61,566,868	57.3%	369	2.69%
Federal Agency Discount Issues	5,935,226	5.5%	156	2.58%
Money Market Fund	1,747,514	1.6%	1	N/A
Total	\$107,544,029	100.0%	266	2.75%

The City currently benchmarks its portfolio to the 2-year average of the 2-year Treasury Note. During the 2nd quarter the City was able to outperform its benchmark earning an average interest rate of 2.70% versus the benchmark average of 2.38%. The following chart compares the City's rate of return to the benchmark.

**Portfolio Benchmark Comparison
 July 2004 – June 2005**



Appendices

**General Fund Revenues and Expenditures
January 1, 2005 - June 30, 2005**

REVENUE COLLECTIONS	2005-06 Budget	Jan-June 2005	% Received	Jan-June 2004	% Received	Jan-June 2003	% Received
Beginning Fund Balance	1,139,447	1,730,954	151.9%	0	0.0%	1,737,773	104.5%
Economic Contingency - used	1,600,000	1,600,000	100.0%		0.0%	0	0.0%
Economic Contingency - remaining	n/a	1,700,000			0.0%	3,300,000	n/a
Total Beginning Resources	<u>2,739,447</u>	<u>5,030,954</u>	<u>183.6%</u>	<u>0</u>	<u>0.0%</u>	<u>5,037,773</u>	<u>100.0%</u>
Sales Taxes	36,562,000	7,785,335	21.3%	8,015,690	22.9%	7,222,786	20.7%
Use Taxes	86,100	23,482	27.3%	22,300	0.0%	18,144	0.0%
Sales Tax on Construction	(2,200,000)	(550,000)	25.0%	(550,002)	25.0%	(550,002)	25.0%
Sales Tax - Criminal Justice	1,981,171	475,369	24.0%	438,945	22.6%	424,965	21.9%
Property Taxes	21,342,852	5,676,841	26.6%	5,243,305	26.1%	5,098,873	25.4%
Utility Taxes							
Electricity	7,847,841	2,005,055	25.5%	1,800,946	24.4%	1,733,231	23.4%
Telephone	7,381,013	1,450,764	19.7%	1,551,177	20.8%	1,620,782	21.8%
Natural Gas	1,540,730	652,589	42.4%	524,786	26.3%	405,909	20.3%
Garbage Collection	913,545	113,386	12.4%	115,210	12.5%	219,727	23.9%
Cable Television	1,120,209	145,537	13.0%	133,550	14.8%	226,424	25.0%
Subtotal: Utility Taxes	<u>18,803,338</u>	<u>4,367,331</u>	<u>23.2%</u>	<u>4,125,669</u>	<u>15.8%</u>	<u>4,206,074</u>	<u>16.1%</u>
Development Fees	7,043,008	2,011,715	28.6%	1,787,620	22.6%	1,531,338	19.3%
Intergovernmental							
Fire & Emergency Services	10,424,656	340,154	3.3%	346,082	3.6%	719,596	7.5%
Overhead Fees	4,509,537	1,114,681	24.7%	1,190,811	24.7%	9,500	0.2%
Motor Vehicle Fuel Taxes	1,300,000	317,743	24.4%	314,030	23.0%	309,798	22.7%
Liquor Profits & Taxes	962,789	280,708	29.2%	257,661	31.7%	237,868	29.3%
Federal/State/Local Grants & Paymnts	92,066	10,973	11.9%	803	0.2%	16,590	3.7%
Subtotal: Intergovernmental Revs	<u>17,289,048</u>	<u>2,064,259</u>	<u>11.9%</u>	<u>2,109,386</u>	<u>7.8%</u>	<u>1,293,353</u>	<u>4.8%</u>
Other							
Investment Interest	669,564	138,229	20.6%	165,860	6.8%	249,567	10.2%
Business Licenses	3,530,277	1,813,210	51.4%	759,214	48.5%	914,470	58.4%
Business License Penalties	118,214	70,726	59.8%	62,096	103.5%	368,693	614.5%
Admissions Tax	977,505	194,517	19.9%	204,472	22.6%	190,361	21.1%
Facility use/rent	169,962	66,152	38.9%	60,175	75.2%	43,213	54.0%
Gaming Tax	88,104	19,583	22.2%	17,943	15.0%	22,866	19.1%
Fines and Forfeitures	198,652	41,126	20.7%	92,276	31.1%	105,199	35.4%
Licenses and Permits	222,569	40,472	18.2%	29,530	22.3%	57,418	43.3%
Other	756,570	103,304	13.7%	85,880	20.1%	133,602	31.2%
Subtotal: Other	<u>6,731,417</u>	<u>2,487,318</u>	<u>37.0%</u>	<u>1,477,445</u>	<u>21.5%</u>	<u>2,085,388</u>	<u>30.4%</u>
Total Revenues	<u>110,378,381</u>	<u>29,372,604</u>	<u>26.6%</u>	<u>22,670,358</u>	<u>18.2%</u>	<u>26,368,691</u>	<u>21.2%</u>
Subtotal Revenues (excl beg. resources)	<u>107,638,934</u>	<u>24,341,650</u>	<u>22.6%</u>	<u>22,670,358</u>	<u>18.5%</u>	<u>21,330,918</u>	<u>17.4%</u>

DEPARTMENTAL EXPENDITURES	2005-06 Budget	Jan-June 2005	% Spent	Jan-June 2004	% Spent	Jan-June 2003	% Spent
Fire	22,590,286	6,011,921	26.6%	5,355,399	22.6%	5,116,267	21.6%
Police	22,927,741	5,492,977	24.0%	5,230,893	25.4%	4,510,716	21.9%
Non-Departmental	15,238,801	2,682,914	17.6%	2,726,888	23.4%	2,697,744	23.2%
Public Works	14,945,128	3,520,677	23.6%	3,674,466	22.8%	3,654,958	22.6%
Finance and IS	11,003,318	2,626,770	23.9%	2,183,647	21.5%	2,304,967	22.7%
Planning	10,545,344	2,280,129	21.6%	2,310,652	21.2%	2,352,515	21.6%
Parks and Recreation	8,523,286	1,991,907	23.4%	1,906,465	21.0%	1,968,997	21.7%
Human Resources	1,813,625	426,132	23.5%	378,056	21.7%	361,620	20.8%
Legal	1,387,236	343,172	24.7%	289,620	21.2%	249,999	18.3%
Executive	1,078,984	260,274	24.1%	265,572	26.4%	238,306	23.7%
Legislative	324,632	66,305	20.4%	67,629	21.5%	53,786	17.1%
TOTAL EXPENDITURES	<u>110,378,381</u>	<u>25,703,178</u>	<u>23.3%</u>	<u>24,389,287</u>	<u>22.9%</u>	<u>23,509,877</u>	<u>22.0%</u>

**City W/WW Utility Operating Budget Summary
January 1, 2005 - June 30, 2005**

Water / Wastewater Utility	2005-06 Budget	Jan - June 2005	% of Budget	Jan - June 2004	% of Budget	Jan - June 2003	% of Budget
Beginning Fund Balance	2,589,582	4,246,907	0.0%	-	0.0%	1,689,630	87.0%
Engineering Fees	533,714	183,229	34.3%	154,147	28.0%	80,741	14.7%
Water & Sewer Rate Revenues	24,170,910	4,497,615	18.6%	4,686,101	21.4%	4,167,209	19.0%
Regional Capital Facility Charge Revenue	1,545,000	454,360	29.4%	9,010	1.6%	8,803	1.6%
Metro Sales	15,635,376	3,779,850	24.2%	3,532,942	25.7%	3,397,291	24.7%
Other Revenues	434,789	211,490	48.6%	527,124	189.3%	219,789	78.9%
Total Revenue	42,319,789	9,126,545	21.6%	8,909,323	24.1%	7,873,834	21.3%
Total Resources Including Beginning Fund Balance	44,909,371	13,373,452	29.8%	8,909,323	22.9%	9,563,464	24.6%
Operating Expenditures	11,819,256	2,503,433	21.2%	2,422,602	23.9%	2,146,080	21.2%
Metro Wastewater Treatment	15,635,376	3,913,405	25.0%	3,530,841	25.7%	3,477,329	25.3%
Water Purchases	6,102,540	1,250,837	20.5%	1,228,862	19.3%	503,447	7.9%
Regional Capital Facility Charge pass-thru to CWA	1,500,000	433,290	28.9%	-	0.0%	-	0.0%
WWW Revenue Bonds Debt Service	301,153	77,186	25.6%	78,958	2.8%	366,630	12.8%
Transfer to General Fund	2,404,288	593,622	24.7%	680,313	26.6%	-	0.0%
Transfers to CIP	4,685,755	1,023,743	21.8%	1,017,817	26.9%	957,626	25.3%
Total Expenditures before Ending Fund Balance	42,448,368	9,795,515	23.1%	8,959,392	16.8%	7,451,112	14.0%
Ending Fund Balance	2,461,003						
Total Expenditures including Ending Fund Balance	44,909,371						

Operating Income (Loss)

Jan - June 2005	(819,393)
Jan - June 2004	(405,755)

Water/Wastewater CIP

Capital improvements	14,150,000	1,522,215	10.8%	2,421,018	10.8%	1,138,145	5.1%
Fund Balance	3,389,156						
Total	17,539,156						

**City SWM Utility Operating Budget Summary
January 1, 2005 - June 30, 2005**

Stormwater Mgmt Utility	2005-06 Budget	Jan - June 2005	% of Budget	Jan - June 2004	% of Budget	Jan - June 2003	% of Budget
Beginning Fund Balance	890,789	1,065,714	119.6%	0	0.0%	1,925,644	100.0%
Engineering Fees	225,801	39,204	17.4%	51,783	25.9%	44,859	22.4%
SWM Rate Revenue	14,030,267	3,520,748	25.1%	2,550,837	24.2%	2,525,242	24.0%
CIP Surcharge	0	0	0.0%	900,438	24.2%	889,144	23.9%
Other Revenue	34,738	10,495	30.2%	13,718	34.1%	22,019	54.8%
Total Revenue	14,290,806	3,570,447	25.0%	3,516,776	24.3%	3,481,265	24.0%
Total Resources Including Beginning Fund Balance	15,181,595	4,636,161	30.5%	3,516,776	21.4%	5,406,909	33.0%
Operating Expenditures	7,959,951	1,849,169	23.2%	1,687,467	24.4%	1,836,035	26.6%
Transfers to GF	1,639,809	404,871	24.7%	437,801	25.3%	0	0.0%
Transfers to CIP	4,425,216	1,145,535	25.9%	1,497,414	25.6%	1,405,119	24.0%
Total Expenditures before Ending Fund Balance	14,024,976	3,399,575	24.2%	3,622,682	25.0%	3,241,154	22.4%
Ending Fund Balance	1,156,619						
Total Expenditures including Ending Fund Balance	15,181,595						

Operating Income (Loss)

Jan - June 2005	980,843
Jan - June 2004	1,094,414

SWM CIP

Capital improvements	11,414,589	712,161	6.2%	1,535,734	12.3%	472,992	3.8%
Fund Balance	716,388						
Total	12,130,977						

UPD Utility Operating Budget Summary
January 1, 2005 - June 30, 2005

UPD Utility	2005-06 Budget	Jan - June 2005	% of Budget	Jan - June 2004	% of Budget	Jan - June 2003	% of Budget
Beginning Fund Balance	945,749	1,109,332	117.3%	0	0.0%	1,294,416	100.0%
Engineering Fees	667,768	24,891	3.7%	143,007	17.8%	168,246	21.0%
Water & Sewer Rate Revenue	4,484,833	514,606	11.5%	439,470	17.3%	266,405	10.5%
Regional Capital Facility Charge Revenue	1,067,420	287,684	27.0%	18,115	1.5%	9,636	0.8%
Metro Sales	2,015,165	300,598	14.9%	221,131	34.4%	104,265	16.2%
Other Revenue	525,835	78,820	15.0%	161,864	30.2%	149,837	28.0%
UPD Depr Rate Surcharge	732,750	107,130	14.6%	205,965	27.5%	173,650	23.2%
Total Revenue	9,493,771	1,313,728	13.8%	1,189,552	18.4%	872,038	13.5%
Total Resources Including Beginning Fund Balance	10,439,520	2,423,060	23.2%	1,189,552	15.3%	2,166,454	27.9%
Operating Expenditures	2,439,656	378,863	15.5%	380,273	17.7%	436,508	20.3%
Metro Wastewater Treatment	1,810,372	285,944	15.8%	172,513	32.6%	104,265	19.7%
Water Purchases	1,599,039	332,501	20.8%	247,015	26.4%	57,147	6.1%
Regional Capital Facility Charge pass-thru to CWA	1,000,000	275,528	27.6%	0	0.0%	0	0.0%
Transfer to CIP	2,256,773	37,500	1.7%	0	0.0%	0	0.0%
Total Expenditures before Ending Fund Balance	9,105,840	1,310,336	14.4%	799,800	10.8%	597,920	8.1%
Ending Fund Balance	1,333,680						
Total Expenditures including Ending Fund Balance	10,439,520						
Operating Income (Loss)							
Jan - June 2005	(441,081)						
Jan - June 2004	(60,670)						
UPD CIP							
Capital improvements	150,000	0	0.0%	536,484	16.7%	153,134	4.8%
Fund Balance	4,601,166						
Total	4,751,166						

Capital Improvement Program Revenues and Expenditures
January 1, 2005 - June 30, 2005

REVENUE CATEGORIES	2005-06 Budget	Jan-June 2005	% of Budget	Jan-June 2004	% of Budget	Jan-June 2003	% of Budget
General Fund	5,571,516	1,407,442	25.3%	1,204,724	22.4%	1,368,415	25.4%
Real Estate Excise Tax (REET)	5,440,000	1,490,729	27.4%	964,829	22.6%	1,135,859	26.7%
Sales Tax on Construction	2,200,000	550,000	25.0%	550,002	25.0%	550,002	25.0%
Business License Surcharge [1]	6,208,157	3,533,237	56.9%	3,272,386	62.4%	3,959,056	75.5%
Impact Fees	2,760,000	905,262	32.8%	987,896	19.0%	952,202	18.3%
Private Contributions	100,000	385,515	385.5%	1,802,590	426.4%	722,027	170.8%
Federal/State Grants	2,994,467	251,492	8.4%	133,607	2.2%	-65,609	-1.1%
Investment Interest	1,795,685	522,382	29.1%	602,327	27.4%	842,765	38.3%
Sammamish River Park sale	2,040,000		0.0%		0.0%		0.0%
Vehicle registration fees - local Option	0	0	0.0%	0	0.0%	9,992	1.2%
Half-cent motor vehicle fuel tax	600,000	148,566	24.8%	146,830	23.5%	144,851	23.2%
Loan Proceeds	0	0	0.0%	0	0.0%	3,698,472	104.2%
Operating Transfers	10,611,643	3,420,898	32.2%	1,117,500	6.2%	1,059,685	5.9%
Other Revenue [2]	209,000	42,459	20.3%	204,637	107.8%	86,182	45.4%
Major Revenue Source Subtotal	40,530,468	12,657,983	31.2%	10,987,329	19.0%	14,463,899	25.1%
Beginning Fund Balance	46,456,460	46,078,474		0	0.0%	47,865,212	99.7%
TOTAL CIP REVENUES	86,986,928	58,736,457	67.5%	10,987,329	10.4%	62,329,111	59.0%
CIP FUNCTIONAL AREA EXPENDITURES	2005-06 Budget	Jan-June 2005	% of Budget	Jan-June 2004	% of Budget	Jan-June 2003	% of Budget
Council CIP	3,239,243	0	0.0%		0.0%		0.0%
Parks CIP	12,282,881	2,053,732	16.7%	1,913,597	10.4%	1,256,539	6.8%
Transportation CIP [1]	27,359,017	6,298,094	23.0%	7,660,976	14.2%	106,250	0.2%
Fire CIP	1,725,641	471,814	27.3%	205,758	10.5%	120,695	6.1%
Police CIP	4,524,029	140,138	3.1%	154,038	4.9%	36,454	1.1%
General Government CIP	10,572,780	187,321	1.8%	423,484	3.4%	141,446	1.1%
Total CIP Expenditures Subtotal	59,703,591	9,151,099	15.3%	10,357,852	11.0%	1,661,384	1.8%
Real Estate Excise Tax Transfers	9,042,707	1,575,677	17.4%	525,000	12.4%	525,000	12.4%
Ending Fund Balance	18,240,630						
TOTAL CIP EXPENDITURES	86,986,928						

[1] Excludes Business Tax dedicated to Transportation Demand Management projects which are accounted for outside of the CIP.

[2] Other revenue represent BROTS revenue from the City of Bellevue for developer projects.